Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

7240882886

BUSINESS STUDIES **0450/12**

Paper 1 **February/March 2017**

1 hour 30 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name in the spaces at the top of this page.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, glue or correction fluid.
DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.
The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.
The total number of marks for this paper is 80.

The syllabus is approved for use in England, Wales and Northern Ireland as a Cambridge International Level 1/Level 2 Certificate.

This document consists of **9** printed pages and **3** blank pages.

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CAMBRIDGE International Examinations

[Turn over

1 TXE is a large food retailer. The Finance Director is worried as last year profit fell by 10%. 'I blame competition and increased taxes. We have spent more on sales promotions, but these have not been successful. We have to find ways to increase profits.' TXE has 200 shops and plans to close 50 to lower costs. TXE may decide to sell a wider range of products, such as clothes, to help increase its profits.

(a) Identify **two** ways to measure the size of a business.

Way 1: .....

Way 2: .....[2]

(b) Identify **two** reasons why a Government might increase taxes.

Reason 1: .....

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Reason 2: .....

.....[2]

(c) Identify and explain **two** possible reasons why sales promotions might not have been successful for TXE.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** factors TXE should consider when deciding which shops to close.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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(e) Do you think TXE should sell a wider range of products? Justify your answer.

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2 QAC uses batch production to make 70 different cleaning products including soap and polish. To meet increased demand for two of its products, X and Y, QAC could invest $10m in flow production using new technology. The Finance Director is worried about QAC's cash flow position as shown in Table 1. He thinks it is important to have a high level of inventory but he also wants to improve the cash flow position.

Table 1: QAC's cash flow forecast for April – June 2017 ($000)

	April	May	June
Cash in:	300	400	460
Cash out:			
Labour costs	140	140	140
Inventory costs	120	180	180
Fixed costs	100	100	100
Total cash out	360	420	420
Net cash flow	(60)	(20)	?
Opening balance	30	(30)	(50)
Closing balance	(30)	(50)	?

(a) What is meant by 'batch production'?

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.....[2]

(b) Calculate the following values in June.

Net cash flow: .....

Closing balance: .....[2]

(c) Identify and explain **two** advantages to QAC of having a high level of inventory.

Advantage 1: .....

.....

Explanation: .....

.....

Advantage 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** ways (other than reducing inventory) that QAC could use to improve its cash flow position.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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(e) Do you think QAC should change its method of production? Justify your answer.

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3 Dipta and Ravi are friends. They want to start up a business making chocolates to sell at local markets. Most ingredients such as cocoa beans will be imported. Ravi's primary market research shows that using ethical sources of supply for the ingredients will be popular with consumers. Ravi and Dipta have no business experience, but Dipta has written a business plan. They need $500 for equipment, but they cannot decide which source of finance to use.

(a) What is meant by a 'business plan'?

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.....[2]

(b) Identify **two** possible methods of primary market research that Ravi might have used.

Method 1: .....

Method 2: .....[2]

(c) Identify and explain **two** benefits to Dipta and Ravi of acting in an ethical way.

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** possible advantages of importing for Dipta and Ravi's business.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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(e) Explain **two** sources of finance Dipta and Ravi could use. Recommend which source Dipta and Ravi should choose. Justify your answer.

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4 BGN sells furniture such as beds and tables. It started as a partnership but is now a private limited company. BGN has expanded quickly and has 10 shops located in different cities. Each shop manager is responsible for recruitment and decisions about inventory levels. They send the Board a monthly report. The Managing Director has a laissez-faire leadership style. There has been an increase in customer complaints and employees think internal communications need to be improved.

(a) Identify **two** stages in recruitment.

Stage 1: .....

Stage 2: .....[2]

(b) Identify **two** possible reasons why the owners of a business may want it to expand.

Reason 1: .....

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Reason 2: .....

.....[2]

(c) Identify and explain **two** advantages to BGN of being a private limited company.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **one** advantage and **one** disadvantage of the Managing Director's leadership style.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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(e) Explain **two** ways BGN could try to improve internal communication. Recommend which way BGN should choose. Justify your answer.

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